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S E C R E T SECTION 01 OF 02 AMMAN 007525

SIPDIS

TREASURY FOR OASIA/MILLS-HUGENT AND DAS ZARATE

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SUBJECT: JORDAN READY TO ADDRESS FROZEN IRAQI ASSETS, BUT  
SEEKS TO ADDRESS CENTRAL BANK CLAIMS ON IRAQ AS WELL

Classified By: Amb. Edward W. Gnehm for reasons 1.5 (b) (d)

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SUMMARY  
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1. (S) In a meeting the day after separate Treasury-led discussions on frozen Iraqi assets with a Finance Ministry/Central Bank team ended inconclusively (septel), the GOJ on November 19 formally requested that the U.S. dispatch a team empowered to discuss both frozen Iraqi assets in Jordan and the Iraqi trade ledger. Foreign Minister Muasher praised the work of the Treasury team and said it should be easy to reach agreement on return of frozen assets to Iraq -- if there is an accommodation on the Central Bank's USD 1.3 billion in accumulated claims on the Iraqi Central Bank. Muasher acknowledged that Jordan may well only get the trade ledger money over the course of many years, but said that strong parliamentary and budgetary pressures required Jordan to reach agreement on this subject before it can return all of the frozen assets. U.S. and Iraqi acknowledgment of the existence of the Central Bank claims and their unique character may suffice as an initial step. END SUMMARY.

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(ANOTHER) FORMAL REQUEST TO ADDRESS TRADE LEDGER DEBT  
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2. (S) Foreign Minister Marwan Muasher told the Ambassador November 19 that the Council of Ministers had instructed him to request formally that the U.S. send to Jordan a USG-Iraqi team empowered to address both Iraqi assets frozen in Jordan and the status of the Central Bank of Jordan's USD 1.3 billion claims on Iraq. Muasher said the "trade ledger" is "a fundamental issue for us" and must be addressed. This amount is not from loans, he argued, but represents overdue payments for goods delivered to Iraq. The previous Iraqi government had recognized this obligation, and the new government should honor that commitment. Noting that he and other senior GOJ officials had first raised this issue in Washington in October 2002, he said the GOJ believes that it asked for and got from both U.S. and Iraqi officials earlier this year commitments to send a team empowered to address both issues.

3. (S) Muasher said Jordan wants to solve this issue amicably, as a friend and ally. As the GOJ had informed us, Jordan will continue to transfer USD 150 million of frozen assets to the Development Fund for Iraq (DFI) while working out an accommodation on the Central Bank claims. Jordan realizes that it may well only get the money over a period of years. Nevertheless, he argued, Jordan needs an arrangement for both political and economic reasons.

4. (S) On the political side, Muasher said that the new Parliament will ask in December what has happened to the frozen Iraqi assets and the trade ledger. "I cannot tell them that we have a commitment to give back the frozen assets without an agreement on the 1.3 billion dollars as well." On the economic side, Muasher argued that 2004 will be a difficult budget year for Jordan, and having to write off a USD 1.3 billion asset is a cost that the GOJ cannot sustain under any circumstances.

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TREASURY TEAM GOOD ON WHAT IT COULD DO  
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5. (S) Muasher thanked the Treasury Department for dispatching a team to discuss frozen assets, asserting that it will not be difficult to reach closure on a plan for transferring all remaining assets to Iraq -- as long as there is accommodation on the trade ledger. However, he concluded, without an arrangement on that account, Jordan will be unable to move further on the frozen assets than has already been committed.

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COMMENT  
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16. (S) Embassy believes that the Treasury team sent this week to Amman did an excellent job in the areas in which it

was empowered to act. However, it was unable to address Jordan's main concern, and, consequently, did not close a deal. Senior Jordanian officials believe they got from Washington earlier this year a commitment to address their trade debt concerns. We understand the manifold difficulties of addressing the issues at this time and our strong desire not to link the assets and trade ledger issues. Nonetheless, as close allies with common interests, we should try to show the Jordanians that we understand and take very seriously their valid political and economic concerns. As one of Jordan's key economic and political partners, we have a real stake in how these claims are disposed of. It may be enough initially for the new Iraqi government and the United States to acknowledge clearly the existence of this obligation -- which was annually reconciled by the Jordanian and former Iraqi governments, most recently in December 2002 -- as well as its unique character.

17. (U) CPA Baghdad minimize considered.

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GNEHM